

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Ridley-Thomas Analyst: Gail Hall Bill Number: AB 2547  
 Related Bills: See Prior Analysis Telephone: 845-6111 Amended Date: May 10, 2006  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Interest Deduction For Financial Corporations On Loans Granted For Redeveloping Brownfields Located In Blighted Areas

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

X February 23, 2006, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would allow a deduction for certain corporations as specified.

**SUMMARY OF AMENDMENTS**

The May 10, 2006, amendments made the following changes to the bill:

1. Revised the operative dates for the amendments.
2. Added a repeal date.
3. Resolved the technical considerations discussed in the analysis of the bill as introduced February 23, 2006.
4. Added a provision that requires the Legislative Analyst's Office to report to the Legislature regarding the use of the net interest deduction.

Except for the discussion in this analysis, the remainder of the department's analysis of the bill as introduced on February 23, 2006, still applies.

Board Position:

\_\_\_\_\_ S      \_\_\_\_\_ NA      \_\_\_\_\_ NP  
 \_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
 \_\_\_\_\_ N      \_\_\_\_\_ OUA      X PENDING

Legislative Director

Date

Brian Putler

5/15/06

## **EFFECTIVE/OPERATIVE DATE**

The May 10, 2006, amendments provide that the bill would specifically apply to taxable years beginning on or after January 1, 2006, and before January 1, 2014, and would be repealed on December 1, 2014.

## **POSITION**

Pending.

## **ANALYSIS**

### **THIS BILL**

This bill would allow financial corporations a deduction for the amount of “net interest” received on loans made for purposes of redeveloping brownfields that are located in blighted areas. Net interest means interest earned on the loan, less any direct costs incurred to make the loan, including, but not limited to, interest paid on amounts borrowed to make the loan and other direct costs incurred to fund the loan. In addition, the bill would authorize the Franchise Tax Board to prescribe appropriate regulations necessary to carry out the provisions of the bill. A deduction shall be allowed if each of the following requirements is met:

1. The redevelopment occurs solely within the brownfield,
2. The indebtedness incurs solely in connection with the redevelopment,
3. The financial corporation has no equity or other ownership interest in the debtor, and
4. The financial corporation and debtor are not members of a commonly controlled group<sup>1</sup>.

## **LEGISLATIVE STAFF CONTACT**

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<sup>1</sup> R&TC Section 25105.